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CITY OF LA CAÑADA FLINTRIDGE

Single Audit Report

For the Year Ended June 30, 2009

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CITY OF LA CAÑADA FLINTRIDGE
Single Audit Report
For the Year Ended June 30, 2009

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

The Honorable City Council of
the City of La Cañada Flintridge, California

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Cañada Flintridge, California (City,) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the City in a separate letter dated December 11, 2009.

This report is intended solely for the information and use of the City Council, management of the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Tini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

December 11, 2009



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The Honorable City Council of
the City of La Cañada Flintridge, California

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program, Internal Control Over
Compliance and on the Schedule of Expenditures of Federal
Awards in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the City of La Cañada Flintridge (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management of the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Tini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

March 1, 2010, except for the section

"Schedule of Expenditures of Federal Awards" as to which the date is December 11, 2009

CITY OF LA CAÑADA FLINTRIDGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
U.S Department of Housing and Urban Development			
Passed through the County of Los Angeles:			
Community Development Block Grant	14.219	70730	\$ 73,235
U.S Department of Homeland Security			
Passed through the State of California			
Office of Emergency Services:			
Federal Emergency Management Agency Program	97.036	037-38996-00	244,064
U.S. Federal Department of Transportation			
Passed through the State of California			
Department of Transportation:			
Highway Planning and Construction	20.205	9D30481	327,975
		BRLO-5417(006)	4,000
Total Department of Transportation			<u>331,975</u>
Environmental Protection Agency			
Passed through the State of California			
State Water Resources Control Board:			
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	C06-4252-510	<u>10,860,578</u>
Total Federal Expenditures			<u>\$ 11,509,852</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF LA CAÑADA FLINTRIDGE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

(1) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of La Cañada Flintridge and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

(2) SUBRECIPIENTS

There were no subrecipients for the year ended June 30, 2009.

(3) CLEAN WATER STATE REVOLVING FUND PROGRAM

The total federal expenditures on the accompanying Schedule of Expenditures of Federal Awards for the Capitalization Grant for the Clean Water State Revolving Fund Program include \$9,831,169 applicable to fiscal year 2006/2007, which were not included in the Single Audit Report for the year ended June 30, 2007.

CITY OF LA CAÑADA FLINTRIDGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material Weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required To be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water
20.205	State Revolving Funds
	Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs:	\$345,296
Auditee qualified as a low-risk auditee?	Yes

CITY OF LA CAÑADA FLINTRIDGE
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Finding 09-01:	Schedule of Federal Awards - Federal Expenditure Reporting
CFDA Title:	Capitalization Grants for Clean Water State Revolving Funds
CFDA Number:	66.458
Award Number:	04-815-550-0
Award Year:	2005
Federal Agency:	Environmental Protection Agency

Criteria:

In accordance with OMB Circular A-133, Subpart C, Section .300, paragraph a, Auditee Responsibilities, the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Condition:

In fiscal year 2006/2007, the City entered into an agreement with the California State Water Resources Control Board (Board) and received a grant award of \$26,928,545 for the construction of sewer lines within the City. The City has spent \$26,928,545 to date, \$9,831,269 was spent in fiscal year 2006/2007. At the time the funds were received no indication was made by the Board that these funds were federal funds and no CFDA title and number were identified or provided to the City. The City originally included the 2006/2007 expenditures on the Schedule of Federal Expenditures (SEFA) provided to the auditors and the City informed the auditors that it was their belief that the grant did contain federal funds. However, no CFDA number or program title was provided. Upon the auditor's request, the City made several attempts to contact the Board and obtain confirmation that these funds were federal funds. However, the Board never provided positive or negative confirmation with regard to this matter. Based upon the non-response from the Board the expenditures were deleted from the SEFA as they were considered to be non-federal funds.

In fiscal year 2007/2008, the City received additional funds from the Board and it was determined at this time that the new funds received, as well as prior funds, were federal funds under CFDA No. 66.458, Capitalization Grants for Clean Water State Revolving Funds. The City correctly reported the fiscal year 2007/2008 expenditures on the SEFA for the year ended June 30, 2008. However, the expenditures relating to the fiscal year 2006/2007 were not identified or reported. In fiscal year 2008/2009, after receiving correspondence from the Board, the City identified and included the fiscal year 2006/2007 expenditures as part of the SEFA for the year ended June 30, 2009. The fiscal year 2006/2007 expenditures were audited along with the fiscal year 2008/2009 expenditures and no instances of noncompliance or unallowable costs were noted.

Questioned Costs:

No known questioned costs.

CITY OF LA CAÑADA FLINTRIDGE
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

Recommendation:

To ensure that the City is in compliance with OMB Circular A-133, Subpart C, Section .300, paragraph a, we recommend the City implement a system of internal controls which requires confirmation of all funds received from grantors regarding the type of funds received (i.e. local, state, federal) and identification of the Federal Program, CFDA title and CFDA number if federal funds.

Corrective Action Planned:

The City will ensure that all grants it receives include the relevant identification number(s) from the grantor, including, when necessary, the Catalog of Federal Domestic Assistance (CFDA) number or other Federal Program Identification Number(s).

CITY OF LA CAÑADA FLINTRIDGE
Schedule of Prior Year Findings
Year Ended June 30, 2009

There were no financial statement findings or federal award findings and questioned costs for the year ended June 30, 2008.